



January 23, 2015

HOUSE BILL No. 1481

DIGEST OF HB 1481 (Updated January 21, 2015 3:47 pm - DI 96)

Citations Affected: IC 5-10.2; IC 5-10.3; IC 5-10.4; IC 10-12.

Synopsis: Public retirement plans. Provides that a political subdivision that participates in the public employee retirement fund (fund) may participate in the public employees defined contribution plan (plan), if the governing body adopts an ordinance or resolution that is filed with and approved by the board of trustees of the Indiana public retirement system. Provides that an individual who begins employment in a covered position with a political subdivision that participates in the plan may elect to become a member of the plan. Provides that, if an individual does not make an election to become a member of the plan, the individual becomes a member of the fund. Establishes the teacher's defined contribution plan and provides that a school corporation may adopt a resolution to have some or all of its teachers participate in the teacher's defined contribution plan. Grants cost of living adjustments in 2015 and 2016 for certain members of the: (1) public employees' retirement fund; (2) Indiana state teachers' retirement fund; (3) state police pre-1987 benefit system; and (4) state police 1987 benefit system.

Effective: Upon passage; July 1, 2015.

**Burton, Carbaugh, Niezgodski,
Harman**

January 14, 2015, read first time and referred to Committee on Employment, Labor and Pensions.

January 22, 2015, amended, reported — Do Pass. Referred to Committee on Ways and Means pursuant to Rule 127.

HB 1481—LS 7500/DI 113



January 23, 2015

First Regular Session of the 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

HOUSE BILL No. 1481

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 5-10.2-5-44 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]: **Sec. 44. (a) This section specifies the method for**
4 **calculating a postretirement increase to the pension portion of the**
5 **monthly benefit of a retired or disabled member of the public**
6 **employees' retirement fund for any year after 2014 in which a**
7 **statute grants such a postretirement increase.**
8 **(b) This section does not apply to a member of the public**
9 **employees' retirement fund (or to a survivor or beneficiary of a**
10 **member of the public employees' retirement fund) whose**
11 **creditable service was earned only as an elected official.**
12 **(c) As used in this section, "grant year" means, for a specified**
13 **statute that grants a postretirement increase to which this section**
14 **applies, the year in which the postretirement increase granted by**
15 **the statute is first payable.**

HB 1481—LS 7500/DI 113



(d) For a specified grant year, the amount of the postretirement increase to the pension portion of the monthly benefit payable after June 30 of the grant year to a member of the public employees' retirement fund (or to a survivor or beneficiary of a member of the public employees' retirement fund) who retired or was disabled before January 1 of the grant year is equal to the amount determined under STEP SIX of the following formula:

STEP ONE: Multiply:

(A) the lesser of:

(i) the number of years of the member's creditable service; or

(ii) thirty (30) years; by

(B) five dollars (\$5).

STEP TWO: Multiply:

(A) the pension portion of the monthly benefit payable to the member as of January 1 of the grant year; by

(B) twelve (12).

The amount described in clause (A) includes the sum of all postretirement increases to the pension portion of the member's monthly benefit that the member is entitled to receive as of January 1 of the grant year.

STEP THREE: Multiply:

(A) the lesser of:

(i) the STEP TWO result; or

(ii) thirty thousand dollars (\$30,000); by

(B) a percentage, as applicable, equal to:

(i) twenty-five hundredths percent (0.25%), if January 1 of the grant year occurs before the fifteenth anniversary of the member's retirement date;

(ii) five-tenths percent (0.5%), if January 1 of the grant year occurs on or after the fifteenth anniversary of the member's retirement date and before the thirtieth anniversary of the member's retirement date; or

(iii) seventy-five hundredths percent (0.75%), if January 1 of the grant year occurs on or after the thirtieth anniversary of the member's retirement date.

STEP FOUR: Determine the lesser of:

(A) the STEP THREE result; or

(B) three hundred dollars (\$300).

STEP FIVE: Add:

(A) the STEP ONE result; and

(B) the STEP FOUR result.



STEP SIX: Divide:

(A) the STEP FIVE result; by

(B) twelve (12).

(e) The creditable service used to determine the amount of the increased monthly benefit payable to a member (or to a survivor or beneficiary of a member) under this section is the creditable service that was used to compute the member's retirement benefit under IC 5-10.2-4-4, except that partial years of creditable service may not be used to determine the amount of the increased monthly benefit payable under this section.

(f) The increases calculated in this section:

(1) are based on the date of the member's latest retirement or disability;

(2) do not apply to benefits payable in a lump sum; and

(3) are in addition to any other increase provided by law.

SECTION 2. IC 5-10.2-5-45 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 45. (a)** This section specifies the method for calculating a postretirement increase to the pension portion of the monthly benefit of a retired or disabled member of the Indiana state teachers' retirement fund for any year after 2014 in which a statute grants such a postretirement increase.

(b) As used in this section, "grant year" means, for a specified statute that grants a postretirement increase to which this section applies, the year in which the postretirement increase granted by the statute is first payable.

(c) For a specified grant year, the amount of the postretirement increase to the pension portion of the monthly benefit payable after June 30 of the grant year to a member of the Indiana state teachers' retirement fund (or to a survivor or beneficiary of a member of the Indiana state teachers' retirement fund) who retired or was disabled before January 1 of the grant year is equal to the amount determined under STEP SIX of the following formula:

STEP ONE: Multiply:

(A) the lesser of:

(i) the number of years of the member's creditable service; or

(ii) thirty (30) years; by

(B) five dollars (\$5).

STEP TWO: Multiply:

(A) the pension portion of the monthly benefit payable to the member as of January 1 of the grant year; by



(B) twelve (12).

The amount described in clause (A) includes the sum of all postretirement increases to the pension portion of the member's monthly benefit that the member is entitled to receive as of January 1 of the grant year.

STEP THREE: Multiply:

(A) the lesser of:

(i) the STEP TWO result; or

(ii) thirty thousand dollars (\$30,000); by

(B) a percentage, as applicable, equal to:

(i) twenty-five hundredths percent (0.25%), if January 1 of the grant year occurs before the fifteenth anniversary of the member's retirement date;

(ii) five-tenths percent (0.5%), if January 1 of the grant year occurs on or after the fifteenth anniversary of the member's retirement date and before the thirtieth anniversary of the member's retirement date; or

(iii) seventy-five hundredths percent (0.75%), if January 1 of the grant year occurs on or after the thirtieth anniversary of the member's retirement date.

STEP FOUR: Determine the lesser of:

(A) the STEP THREE result; or

(B) three hundred dollars (\$300).

STEP FIVE: Add:

(A) the STEP ONE result; and

(B) the STEP FOUR result.

STEP SIX: Divide:

(A) the STEP FIVE result; by

(B) twelve (12).

(d) The creditable service used to determine the amount of the increased monthly benefit payable to a member (or to a survivor or beneficiary of a member) under this section is the creditable service that was used to compute the member's retirement benefit under IC 5-10.2-4-4, except that partial years of creditable service may not be used to determine the amount of the increased monthly benefit payable under this section.

(e) The increases specified in this section:

(1) are based upon the date of the member's latest retirement or disability;

(2) do not apply to benefits payable in a lump sum; and

(3) are in addition to any other increase provided by law.

SECTION 3. IC 5-10.2-5-46 IS ADDED TO THE INDIANA CODE



1 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
2 UPON PASSAGE]: Sec. 46. (a) As used in this section, "pension
3 portion" means the part of the monthly benefit payable to a
4 member that is attributable to employer contributions, and
5 includes any postretirement increases to this part of the monthly
6 benefit.

7 (b) In 2015, a member, survivor, or beneficiary of the public
8 employees' retirement fund who meets the criteria specified in
9 section 44 of this chapter is entitled to an increase of the pension
10 portion of the monthly benefit payable to the member, survivor, or
11 beneficiary in accordance with section 44 of this chapter.

12 (c) In 2016, a member, survivor, or beneficiary of the public
13 employees' retirement fund who meets the criteria specified in
14 section 44 of this chapter is entitled to an increase of the pension
15 portion of the monthly benefit payable to the member, survivor, or
16 beneficiary in accordance with section 44 of this chapter.

17 (d) In 2015, a member, survivor, or beneficiary of the Indiana
18 state teachers' retirement fund who meets the criteria specified in
19 section 45 of this chapter is entitled to an increase of the pension
20 portion of the monthly benefit payable to the member, survivor, or
21 beneficiary in accordance with section 45 of this chapter.

22 (e) In 2016, a member, survivor, or beneficiary of the Indiana
23 state teachers' retirement fund who meets the criteria specified in
24 section 45 of this chapter is entitled to an increase of the pension
25 portion of the monthly benefit payable to the member, survivor, or
26 beneficiary in accordance with section 45 of this chapter.

27 (f) The fund may not use employer contributions to pay the
28 increases required under subsections (b) through (e) unless, and
29 only to the extent that, the amounts necessary to pay the increases
30 required under subsections (b) through (e) exceed the amounts
31 appropriated in the state budget for the biennium beginning July
32 1, 2015, for the purposes described in subsections (b) through (e).

33 SECTION 4. IC 5-10.3-2-3 IS AMENDED TO READ AS
34 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 3. The general
35 assembly intends that, to the extent specified in this article, the
36 payments to the fund by the state or the ~~participating~~ political
37 subdivisions **that participate in the fund**, the payment of all benefits,
38 the payment of interest credits, and the payment of administration
39 expenses are obligations of the state and the ~~participating~~ political
40 subdivisions **that participate in the fund**. However, this obligation is
41 not a guarantee that the amount credited to a member in the annuity
42 savings account will not vary in value as a result of the performance of



1 the investment program selected by the member under IC 5-10.2-2,
 2 unless the member selected the guaranteed program, in which case the
 3 obligation is such a guarantee.

4 SECTION 5. IC 5-10.3-5-2 IS AMENDED TO READ AS
 5 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 2. Employer
 6 Contributions; Federal Moneys. (a) The state shall make contributions
 7 to the retirement allowance account as specified in IC 5-10.2-2.
 8 ~~Participating~~ Political subdivisions **that participate in the fund** shall
 9 make contributions as specified in chapter 6 of this article.

10 (b) If members receive compensation from federal funds, the board
 11 shall at the end of each fiscal year determine the employer's
 12 contribution, excluding administration expenses, to be paid from
 13 federal funds. The amount shall be determined by such method adopted
 14 by the board as results in an equitable sharing of the employer
 15 contribution by the federal government on account of members
 16 receiving compensation from federal funds.

17 SECTION 6. IC 5-10.3-6-1 IS AMENDED TO READ AS
 18 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 1. (a) ~~By ordinance or~~
 19 ~~resolution of If:~~

20 (1) the governing body of a political subdivision adopts an
 21 ordinance or resolution specifying by departmental,
 22 occupational, or other definable classification the employees who
 23 will become members of the fund; and

24 (2) the ordinance or resolution is filed with and approved by
 25 the board;

26 a the political subdivision may become a participant in the fund. ~~if the~~
 27 ~~ordinance or resolution is filed with and approved by the board.~~

28 (b) A governing body may include in its ordinance or resolution
 29 adopted under subsection (a) a determination of the date from which
 30 prior service for its employees will be computed. Creditable service for
 31 these employees is determined under IC 5-10.3-7-7.5.

32 (c) The effective date of participation is the earlier of January 1 or
 33 July 1 after the date of approval. However, no retirement benefit may
 34 be paid until six (6) months after the effective date of participation.

35 SECTION 7. IC 5-10.3-6-6 IS AMENDED TO READ AS
 36 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 6. Appropriations and
 37 Payments by School Corporations. A school corporation **that**
 38 **participates in the fund** shall make the appropriations and payments
 39 required of participating political subdivisions under this article and
 40 **IC 5-10.2** from its general fund.

41 SECTION 8. IC 5-10.3-6.5 IS ADDED TO THE INDIANA CODE
 42 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE



JULY 1, 2015]:

Chapter 6.5. Participation by Political Subdivisions in the Defined Contribution Plan

Sec. 1. The following definitions apply throughout this chapter:

- (1) "Account" has the meaning set forth in IC 5-10.3-12-2.
- (2) "Member" has the meaning set forth in IC 5-10.3-12-12.
- (3) "Plan" has the meaning set forth in IC 5-10.3-12-15.
- (4) "Years of participation" has the meaning set forth in IC 5-10.3-12-16.

Sec. 2. (a) If:

- (1) the governing body of a political subdivision that participates in the fund under IC 5-10.3-6 adopts an ordinance or resolution that permits an individual who begins employment with the political subdivision and would otherwise be eligible for membership in the fund to elect to become a member of the plan; and
- (2) the ordinance or resolution is filed with and approved by the board;

the political subdivision may become a participant in the plan.

(b) The effective date of participation is the earlier of January 1 or July 1 after the date of approval.

Sec. 3. (a) This section applies to a third class city or a town.

(b) The clerk-treasurer of a city or town is that city's or town's authorized agent for all matters concerning the plan.

Sec. 4. The governing body may request a preliminary survey, at its expense as determined by the board, to determine the estimated cost of participation. The board and its actuary shall give an estimate of the costs, the benefits, and other appropriate information.

Sec. 5. After a political subdivision becomes a participant, its governing body may make appropriations, make payments, and do all things required by IC 5-10.3-12.

Sec. 6. The board shall maintain separate accounts for each contribution rate group. Credits and charges to these accounts shall be made as prescribed in IC 5-10.3-12.

Sec. 7. If a school corporation participates in the plan, the school corporation shall make the appropriations and payments required under this article and IC 5-10.2 from its general fund.

Sec. 8. (a) If the employer or political subdivision fails to make payments required by this chapter, the amount payable may be:

- (1) withheld by the auditor of state from moneys payable to the employer or subdivision and transferred to the plan; or



(2) recovered in a suit in the circuit or superior court of the county in which the political subdivision is located. The suit shall be an action by the state on the relation of the board, prosecuted by the attorney general.

(b) If:

(1) service credit is verified for a member who has filed an application for retirement benefits; and

(2) the member's employer at the time the service credit was earned has not made contributions for or on behalf of the member for the service credit;

liability for the unfunded service credit shall be charged against the employer's account and collected by the fund as provided in subsection (a). Processing of a member's application for retirement benefits may not be delayed by an employer's failure to make contributions for the service credit earned by the member while the member was employed by the employer.

(c) If the employer or political subdivision fails to file the reports or records required by this chapter or by IC 5-10.3-7-12.5, the auditor of state shall:

(1) withhold the penalty described in IC 5-10.3-7-12.5 from money payable to the employer or the political subdivision; and

(2) transfer the penalty to the fund.

Sec. 9. (a) As used in this section, "withdrawing political subdivision" means a political subdivision that takes an action described in subsection (b).

(b) Subject to the provisions of this section, a political subdivision may do the following:

(1) Stop its participation in the plan and withdraw all of the political subdivision's employees from participation in the plan.

(2) Withdraw a departmental, an occupational, or other definable classification of employees from participation in the plan.

(3) Stop the political subdivision's participation in the plan by:

(A) selling all the political subdivision's assets; or

(B) ceasing to exist as a political subdivision.

(c) The withdrawal of a political subdivision's participation in the plan is effective on a termination date established by the board. The termination date may not occur before all the following have occurred:



1 **(1) The withdrawing political subdivision has provided**
 2 **written notice of the following to the board:**

3 **(A) The withdrawing political subdivision's intent to cease**
 4 **participation.**

5 **(B) The names of the withdrawing political subdivision's**
 6 **current employees and former employees as of the date on**
 7 **which the notice is provided.**

8 **(2) The expiration of:**

9 **(A) a ninety (90) day period following the filing of the**
 10 **notice with the board, for a withdrawing political**
 11 **subdivision that sells all of the withdrawing political**
 12 **subdivision's assets or that ceases to exist as a political**
 13 **subdivision; or**

14 **(B) a two (2) year period following the filing of the notice**
 15 **with the board, for all other withdrawing political**
 16 **subdivisions.**

17 **(d) A member who is an employee of the political subdivision as**
 18 **of the date of the notice under subsection (c) is fully vested in all**
 19 **amounts in the member's account.**

20 SECTION 9. IC 5-10.3-7-1, AS AMENDED BY P.L.195-2013,
 21 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 22 UPON PASSAGE]: Sec. 1. (a) This section does not apply to:

23 (1) members of the general assembly; or

24 (2) employees covered by section 3 of this chapter.

25 **(b) As used in this section, "employees of the state" includes:**

26 **(1) employees of the judicial circuits whose compensation is**
 27 **paid from state funds;**

28 **(2) elected and appointed state officers;**

29 **(3) prosecuting attorneys and deputy prosecuting attorneys of**
 30 **the judicial circuits, whose compensation is paid in whole or**
 31 **in part from state funds, including participants in the**
 32 **prosecuting attorneys retirement fund established under**
 33 **IC 33-39-7;**

34 **(4) employees in the classified service;**

35 **(5) employees of any state department, institution, board,**
 36 **commission, office, agency, court, or division of state**
 37 **government receiving state appropriations and having the**
 38 **authority to certify payrolls from appropriations or from a**
 39 **trust fund held by the treasurer of state or by any**
 40 **department;**

41 **(6) employees of any state agency that is a body politic and**
 42 **corporate;**



(7) except as provided under IC 5-10.5-7-4, employees of the board of trustees of the Indiana public retirement system;

(8) persons who:

(A) are employed by the state;

(B) have been classified as federal employees by the Secretary of Agriculture of the United States; and

(C) are excluded from coverage as federal employees by the federal Social Security program under 42 U.S.C. 410;

(9) the directors and employees of county offices of family and children;

(10) employees of the center for agricultural science and heritage (the barn); and

(11) members and employees of the state lottery commission.

(b) (c) An employee of the state or of a ~~participating~~ political subdivision **participating in the fund** who:

(1) became a full-time employee of the state or of a ~~participating~~ political subdivision **participating in the fund** in a covered position; and

(2) had not become a member of the fund;

before April 1, 1988, shall on April 1, 1988, become a member of the fund unless the employee is excluded from membership under section 2 of this chapter.

(c) (d) Any individual who becomes a full-time employee of the state or of a ~~participating~~ political subdivision **participating in the fund** in a covered position after March 31, 1988, becomes a member of the fund on the date the individual's employment begins unless the individual is excluded from membership under section 2 of this chapter.

(d) For the purposes of this section, "employees of the state" includes:

(1) employees of the judicial circuits whose compensation is paid from state funds;

(2) elected and appointed state officers;

(3) prosecuting attorneys and deputy prosecuting attorneys of the judicial circuits, whose compensation is paid in whole or in part from state funds, including participants in the prosecuting attorneys retirement fund established under IC 33-39-7;

(4) employees in the classified service;

(5) employees of any state department, institution, board, commission, office, agency, court, or division of state government receiving state appropriations and having the authority to certify payrolls from appropriations or from a trust fund held by the



1 treasurer of state or by any department;

2 (6) employees of any state agency which is a body politic and
3 corporate;

4 (7) except as provided under IC 5-10.5-7-4, employees of the
5 board of trustees of the Indiana public retirement system;

6 (8) persons who:

7 (A) are employed by the state;

8 (B) have been classified as federal employees by the Secretary
9 of Agriculture of the United States; and

10 (C) are excluded from coverage as federal employees by the
11 federal Social Security program under 42 U.S.C. 410;

12 (9) the directors and employees of county offices of family and
13 children;

14 (10) employees of the center for agricultural science and heritage
15 (the barn); and

16 (11) members and employees of the state lottery commission.

17 SECTION 10. IC 5-10.3-7-2, AS AMENDED BY P.L.195-2013,
18 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
19 JULY 1, 2015]: Sec. 2. The following employees may not be members
20 of the fund:

21 (1) Officials of a political subdivision elected by vote of the
22 people, unless the governing body specifically provides for the
23 participation of locally elected officials.

24 (2) Employees occupying positions normally requiring
25 performance of service of less than six hundred (600) hours
26 during a year who:

27 (A) were hired before July 1, 1982; or

28 (B) are employed by a ~~participating~~ school corporation
29 **participating in the fund.**

30 (3) Independent contractors or officers or employees paid wholly
31 on a fee basis.

32 (4) Employees who occupy positions that are covered by other
33 pension or retirement funds or plans, maintained in whole or in
34 part by appropriations by the state or a political subdivision,
35 except:

36 (A) the federal Social Security program; and

37 (B) the prosecuting attorneys retirement fund established by
38 IC 33-39-7-9.

39 (5) Managers or employees of a license branch of the bureau of
40 motor vehicles commission, except those persons who may be
41 included as members under IC 9-16-4.

42 (6) Employees, except employees of a ~~participating~~ school



corporation **participating in the fund**, hired after June 30, 1982, occupying positions normally requiring performance of service of less than one thousand (1,000) hours during a year.

(7) Persons who:

(A) are employed by the state;

(B) have been classified as federal employees by the Secretary of Agriculture of the United States; and

(C) are covered by the federal Social Security program as federal employees under 42 U.S.C. 410.

SECTION 11. IC 5-10.3-7-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 3. (a) Members of the general assembly, including members who:

(1) completed their service before July 1, 1987; and

(2) were not members of the fund during their service in the general assembly;

are entitled to become, at their option, members of the fund. A member of the general assembly who completed ~~his~~ **the member's** service before July 1, 1987, in order to become a member of the fund must apply to the board for membership and must present evidence satisfactory to the board of ~~his~~ **the member's** prior service. Such a member of the general assembly may become a member without any service after June 30, 1987.

(b) Notwithstanding the exclusion specified in section 2(4) of this chapter, a member of the general assembly who is a member of the Indiana state teachers' retirement fund and who retires after June 30, 1980, may choose at ~~his~~ **the member's** retirement date to become a member of the public employees' retirement fund and to receive ~~his~~ **the member's** retirement benefit from the fund.

(c) An employee who:

(1) was hired before July 1, 1982; or

(2) is employed by a ~~participating~~ school corporation **participating in the fund;**

and who is occupying a position normally requiring performance of services of less than one thousand (1,000) hours a year may at ~~his~~ **the employee's** option be a member of the fund.

SECTION 12. IC 5-10.3-8-14, AS AMENDED BY P.L.91-2014, SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 14. (a) Except as provided in subsection ~~(c)~~, **(d)**, this section applies to employees of the state ~~(as defined in IC 5-10.3-7-1(d))~~ who are:

(1) members of the fund; and

(2) paid by the auditor of state by salary warrants.



(b) Except as provided in subsection ~~(c)~~; **(d)**, this section does not apply to the employees of the state ~~(as defined in IC 5-10.3-7-1(d))~~ employed by:

- (1) a body corporate and politic of the state created by state statute; or
- (2) a state educational institution (as defined in IC 21-7-13-32).

(c) As used in this section, "employees of the state" has the meaning set forth in IC 5-10.3-7-1.

~~(c)~~ **(d)** The chief executive officer of a body or institution described in subsection (b) may elect to have this section apply to the employees of the state ~~(as defined in IC 5-10.3-7-1(d))~~ employed by the body or institution by submitting a written notice of the election to the director. An election under this subsection is effective on the later of:

- (1) the date the notice of the election is received by the director; or
- (2) July 1, 2013.

~~(d)~~ **(e)** The board shall adopt provisions to establish a retirement medical benefits account within the fund under Section 401(h) or as a separate fund under another applicable section of the Internal Revenue Code for the purpose of converting unused excess accrued leave to a monetary contribution for an employee of the state to fund on a pretax basis benefits for sickness, accident, hospitalization, and medical expenses for the employee and the spouse and dependents of the employee after the employee's retirement. The state may match all or a portion of an employee's contributions to the retirement medical benefits account established under this section.

~~(e)~~ **(f)** The board is the trustee of the account described in subsection ~~(d)~~; **(e)**. The account must be qualified, as determined by the Internal Revenue Service, as a separate account within the fund whose benefits are subordinate to the retirement benefits provided by the fund.

~~(f)~~ **(g)** The board may adopt rules under IC 5-10.5-4-2 that it considers appropriate or necessary to implement this section after consulting with the state personnel department. The rules adopted by the board under this section must:

- (1) be consistent with the federal and state law that applies to:
 - (A) the account described in subsection ~~(d)~~; **(e)**; and
 - (B) the fund; and
- (2) include provisions concerning:
 - (A) the type and amount of leave that may be converted to a monetary contribution;
 - (B) the conversion formula for valuing any leave that is converted;



1 (C) the manner of employee selection of leave conversion; and

2 (D) the vesting schedule for any leave that is converted.

3 ~~(g)~~ **(h)** The board may adopt the following:

4 (1) Account provisions governing:

5 (A) the investment of amounts in the account; and

6 (B) the accounting for converted leave.

7 (2) Any other provisions that are necessary or appropriate for
8 operation of the account.

9 ~~(h)~~ **(i)** The account described in subsection ~~(d)~~ **(e)** may be
10 implemented only if the board has received from the Internal Revenue
11 Service any rulings or determination letters that the board considers
12 necessary or appropriate.

13 ~~(i)~~ **(j)** To the extent allowed by:

14 (1) the Internal Revenue Code; and

15 (2) rules adopted by:

16 (A) the board under this section; and

17 (B) the state personnel department under IC 5-10-1.1-7.5;
18 employees of the state may convert unused excess accrued leave to a
19 monetary contribution under this section and under IC 5-10-1.1-7.5.

20 SECTION 13. IC 5-10.3-12-1, AS AMENDED BY P.L.54-2013,
21 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
22 JULY 1, 2015]: Sec. 1. (a) Except as provided in subsection (c), this
23 chapter applies to **the following**:

24 **(1) An individual who:**

25 **(A)** on or after the effective date of the plan ~~(4)~~ becomes for
26 the first time a full-time employee of the state: ~~(as defined in~~
27 ~~IC 5-10.3-7-1(d))~~;

28 ~~(A)~~ **(i)** in a position that would otherwise be eligible for
29 membership in the fund under IC 5-10.3-7; and

30 ~~(B)~~ **(ii)** who is paid by the auditor of state by salary
31 warrants; and

32 ~~(2)~~ **(B)** makes the election described in section 20 of this
33 chapter to become a member of the plan.

34 **(2) An individual who:**

35 **(A)** on or after the date the individual begins employment
36 with a political subdivision that participates in the plan in
37 a covered position that would otherwise be eligible for
38 membership in the fund under IC 5-10.3-7; and

39 **(B)** makes the election described in section 20.5 of this
40 chapter to become a member of the plan.

41 (b) Except as provided in subsection (c), this chapter does not apply
42 to an individual who, on or after the effective date of the plan:



(1) becomes for the first time a full-time employee of the state ~~(as defined in IC 5-10.3-7-1(d))~~ in a position that would otherwise be eligible for membership in the fund under IC 5-10.3-7; and

(2) is employed by:

(A) a body corporate and politic of the state created by state statute; or

(B) a state educational institution (as defined in IC 21-7-13-32).

(c) The chief executive officer of a body or institution described in subsection (b) may elect, by submitting a written notice of the election to the director, to have this chapter apply to individuals who, as employees of the body or institution, become for the first time full-time employees of the state ~~(as defined in IC 5-10.3-7-1(d))~~ in positions that would otherwise be eligible for membership in the fund under IC 5-10.3-7. An election under this subsection is effective on ~~the later of:~~

~~(1) the date the notice of the election is received by the director.~~

~~or~~

~~(2) March 1, 2013.~~

(d) This chapter does not apply to ~~an individual who:~~ **the following:**

(1) **An individual who**, before the effective date of the plan, is or was a member (as defined in IC 5-10.3-1-5) of the fund. ~~or~~

(2) **An individual who**, on or after the effective date of the plan:

(A) except as provided in subsection (c), becomes for the first time a full-time employee of the state: ~~(as defined in IC 5-10.3-7-1(d)):~~

(i) in a position that would otherwise be eligible for membership in the fund under IC 5-10.3-7; and

(ii) who is not paid by the auditor of state by salary warrants;

or

(B) does not elect to participate in the plan.

SECTION 14. IC 5-10.3-12-7.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: **Sec. 7.5. As used in this chapter, "employees of the state" has the meaning set forth in IC 5-10.3-7-1.**

SECTION 15. IC 5-10.3-12-8, AS ADDED BY P.L.22-2011, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: **Sec. 8. As used in this chapter, "employer" means the state or a political subdivision participating in the plan.**

SECTION 16. IC 5-10.3-12-12, AS ADDED BY P.L.22-2011, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: **Sec. 12. As used in this chapter, "member" means an**



individual **described in section 1(a) of this chapter** who has elected to participate in the plan.

SECTION 17. IC 5-10.3-12-20, AS ADDED BY P.L.22-2011, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 20. **(a) This section applies to an individual described in section 1(a)(1) of this chapter who is otherwise eligible to become a member of the plan.**

~~(a)~~ **(b)** An individual who, on or after the effective date of the plan becomes for the first time a full-time employee of the state ~~(as defined in IC 5-10.3-7-1(d))~~ in a position that would otherwise be eligible for membership in the fund under IC 5-10.3-7 may elect to become a member of the plan. An election under this section:

- (1) must be made in writing;
- (2) must be filed with the board, on a form prescribed by the board; and
- (3) is irrevocable.

~~(b)~~ **(c)** An individual who does not elect to become a member of the plan becomes a member (as defined in IC 5-10.3-1-5) of the fund.

SECTION 18. IC 5-10.3-12-20.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 20.5. **(a) This section applies to an individual described in section 1(a)(2) of this chapter who is otherwise eligible to become a member of the plan.**

(b) An individual described in section 1(a)(2) of this chapter may elect to become a member of the plan on the date the individual begins the individual's employment in a covered position with a political subdivision that participates in the plan.

(c) An election under this section:

- (1) must be made in writing;**
- (2) must be filed with the board, on a form prescribed by the board; and**
- (3) is irrevocable.**

(d) An individual who does not elect to become a member of the plan becomes a member (as defined in IC 5-10.3-1-5) of the fund.

SECTION 19. IC 5-10.3-12-23, AS AMENDED BY P.L.5-2014, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 23. (a) Each member's contribution to the plan is equal to three percent (3%) of the member's compensation. ~~The state~~ **An employer** shall pay the member's contribution on behalf of each member of the plan each year.

(b) To the extent permitted by the Internal Revenue Code and applicable regulations, a member of the plan may make contributions



to the plan in addition to the contribution required under subsection (a). IC 5-10.2-3-2(c) and IC 5-10.2-3-2(d) govern additional contributions made under this subsection.

(c) Member contributions will be credited to the member's account as specified in IC 5-10.2-3.

(d) Although designated as employee contributions, the contributions made under subsection (a) are picked up and paid by ~~the state as the~~ **an** employer in lieu of the contributions being paid by the employee in accordance with section 414(h)(2) of the Internal Revenue Code. A member may not receive any amounts paid by ~~the state an employer~~ under this section directly instead of having the amounts paid to the plan.

SECTION 20. IC 5-10.3-12-24, AS ADDED BY P.L.22-2011, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 24. (a) ~~The state~~ **An employer** shall make employer contributions to the plan based on the rate determined under this section.

(b) The employer's contribution rate for the plan shall be equal to the employer's contribution rate for the fund as determined by the board under IC 5-10.2-2-11(b). The amount credited from the employer's contribution rate to the member's account shall not be greater than the normal cost of the fund. Any amount not credited to the member's account shall be applied to the unfunded accrued liability of the fund as determined under IC 5-10.2-2-11(a)(3) and IC 5-10.2-2-11(a)(4).

(c) ~~The state's~~ **An employer's** minimum contribution under this section is equal to three percent (3%) of the compensation of all members of the plan.

(d) ~~The state~~ **An employer** shall submit the employer contributions determined under this section as provided in IC 5-10.2-2-12.5.

SECTION 21. IC 5-10.3-12-25, AS AMENDED BY P.L.6-2012, SECTION 32, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 25. (a) Member contributions and net earnings on the member contributions in the member contribution subaccount belong to the member at all times and do not belong to the ~~state~~ **employer**.

(b) A member is vested in the employer contribution subaccount in accordance with the following schedule:

Years of participation in the plan	Vested percentage of employer contributions and earnings
1	20%
2	40%



1	3	60%
2	4	80%
3	5	100%

4 For purposes of vesting in the employer contribution subaccount, only
5 a member's full years of participation in the plan may be counted.

6 (c) The amount that a member may withdraw from the member's
7 account is limited to the vested portion of the account.

8 (d) A member who attains normal retirement age is fully vested in
9 all amounts in the member's account.

10 (e) If a member separates from service with the ~~state~~ **employer**
11 before the member is fully vested in the employer contribution
12 subaccount, the amount in the employer contribution subaccount that
13 is not vested is forfeited as of the date the member separates from
14 service.

15 (f) Amounts forfeited under subsection (e) must be used to reduce
16 the ~~state's~~ **employer's** unfunded accrued liability of the fund as
17 determined under IC 5-10.2-2-11(a)(3) and IC 5-10.2-2-11(a)(4).

18 (g) A member may not earn creditable service (as defined in
19 IC 5-10.2-3-1(a)) under the plan.

20 SECTION 22. IC 5-10.3-12-31, AS ADDED BY P.L.22-2011,
21 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
22 JULY 1, 2015]: Sec. 31. (a) If a member of the plan separates from
23 employment with the ~~state~~ **the member's employer** and later returns
24 to ~~state~~ employment in a position covered by the plan:

25 **(1) the individual resumes membership in the plan; and**

26 **(2) the member is entitled to receive credit for the member's years**
27 **of participation in the plan before the member's separation.**

28 However, any amounts forfeited by the member under section
29 25(e) of this chapter may not be restored to the member's account.

30 (b) An individual who elected under section 20 **or 20.5** of this
31 chapter to become a member of the plan resumes membership in the
32 plan upon the individual's return to state employment.

33 (c) An individual who did not elect to become a member of the plan
34 resumes membership in the fund.

35 (d) An individual who returns to ~~state~~ employment **in a position**
36 **covered by the plan** having had an opportunity to make an election
37 under section 20 **or 20.5** of this chapter during an earlier period of ~~state~~
38 employment is not entitled to a second opportunity to make an election
39 under section 20 **or 20.5** of this chapter.

40 SECTION 23. IC 5-10.4-4-1, AS AMENDED BY P.L.119-2012,
41 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
42 JULY 1, 2015]: Sec. 1. (a) The members of the fund include:



- 1 (1) legally qualified and regularly employed teachers in the public
- 2 schools;
- 3 (2) persons employed by a governing body, who were qualified
- 4 before their election or appointment;
- 5 (3) legally qualified and regularly employed teachers at Ball State
- 6 University, Indiana State University, University of Southern
- 7 Indiana, and Vincennes University;
- 8 (4) legally qualified and regularly employed teachers in a state
- 9 educational institution whose teachers devote their entire time to
- 10 teaching;
- 11 (5) legally qualified and regularly employed teachers in state
- 12 benevolent, charitable, or correctional institutions;
- 13 (6) legally qualified and regularly employed teachers in an
- 14 experimental school in a state university who teach elementary or
- 15 high school students;
- 16 (7) as determined by the board, certain instructors serving in a
- 17 state educational institution extension division not covered by a
- 18 state retirement law;
- 19 (8) employees and officers of the department of education and of
- 20 the fund who were qualified before their election or appointment;
- 21 (9) a person who:
 - 22 (A) is employed as a nurse appointed under IC 20-34-3-6 by
 - 23 a school corporation located in a city having a population of
 - 24 more than eighty thousand (80,000) but less than eighty
 - 25 thousand four hundred (80,400); and
 - 26 (B) participated in the fund before December 31, 1991, in the
 - 27 position described in clause (A); and
 - 28 (10) persons who are employed by the fund.
- 29 (b) Teachers in any state institution who accept the benefits of a
- 30 state supported retirement benefit system comparable to the fund's
- 31 benefits may not come under the fund unless permitted by law or the
- 32 rules of the board.
- 33 (c) The members of the fund do not include substitute teachers who
- 34 have not obtained an associate degree or a baccalaureate degree.
- 35 **(d) The members of the fund do not include individuals who**
- 36 **participate in the teachers' defined contribution plan under**
- 37 **IC 5-10.4-8.**
- 38 SECTION 24. IC 5-10.4-8 IS ADDED TO THE INDIANA CODE
- 39 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
- 40 JULY 1, 2015]:
- 41 **Chapter 8. Teachers' Defined Contribution Plan**
- 42 **Sec. 1. (a) Except as provided in subsection (b), this chapter**



1 applies to an individual who, on or after the effective date of the
2 plan:

3 (1) is employed in a covered position by a school corporation
4 that participates in the plan; and

5 (2) would otherwise qualify for membership in the fund under
6 IC 5-10.4-4.

7 (b) This chapter does not apply to an individual who, before the
8 effective date of the plan, is or was a member (as defined in
9 IC 5-10.4-1-9) of the fund.

10 Sec. 2. The following definitions apply throughout this chapter:

11 (1) "Account" means the plan account established for a
12 member under section 7(b) of this chapter.

13 (2) "Annuity savings account" means the annuity savings
14 account of the 1996 account maintained under
15 IC 5-10.2-2-2(c)(1) and IC 5-10.2-2-2(b)(2).

16 (3) "Compensation" has the meaning set forth in
17 IC 5-10.2-3-2(a).

18 (4) "Dies in the line of duty" has the meaning set forth in
19 IC 5-10-11-2.

20 (5) "Effective date" means the first day of the month that is
21 six (6) months after the month in which the Internal Revenue
22 Service issues an approval of the plan.

23 (6) "Employer" means a school corporation.

24 (7) "Employer contribution subaccount" means the
25 subaccount in a member's plan account established under
26 section 7(b)(2) of this chapter.

27 (8) "Internal Revenue Code" has the meaning set forth in
28 IC 5-10.2-1-3.5.

29 (9) "Member" means an individual described in section 1(a)
30 of this chapter who is not otherwise excluded from
31 membership in the plan.

32 (10) "Member contribution subaccount" means the
33 subaccount in a member's plan account established under
34 section 7(b)(1) of this chapter.

35 (11) "Normal retirement age" for a member means the
36 member is at least sixty-two (62) years of age with at least five
37 (5) years of participation in the plan.

38 (12) "Plan" refers to the teachers' defined contribution plan
39 established by section 4 of this chapter.

40 (13) "Years of participation" means all periods of
41 participation in the plan in a covered position, plus any
42 additional service for which this chapter provides years of



1 participation credit.

2 Sec. 3. Except as otherwise provided in this chapter or by
3 federal law, and subject to the board obtaining the approval of the
4 Internal Revenue Service as described in section 4(b) of this
5 chapter, the provisions of IC 5-10.4 that apply to the annuity
6 savings account apply to an account established under this chapter.

7 Sec. 4. (a) The teachers' defined contribution plan is established
8 for the purpose of providing amounts funded by an employer and
9 a member for the use of the member or the member's beneficiaries
10 or survivors after the member's retirement.

11 (b) The board shall adopt provisions to implement the plan
12 established under subsection (a) as follows:

13 (1) The board shall initially offer the plan using the annuity
14 savings account, subject to obtaining the approval of the
15 Internal Revenue Service in a manner satisfactory to the
16 board to preserve the qualified status of the plan and the
17 fund. The plan as provided under this subdivision is a
18 component within the fund.

19 (2) If the approval of the Internal Revenue Service to offer the
20 plan using the annuity savings account cannot be obtained in
21 a manner satisfactory to the board, the board shall offer the
22 plan as a separate fund under Section 401(a) or another
23 applicable section of the Internal Revenue Code.

24 (c) The board shall administer the plan.

25 (d) The board may adopt a plan document that it considers
26 appropriate or necessary to administer the plan.

27 Sec. 5. The board may request from the Internal Revenue
28 Service any rulings or determination letters that the board
29 considers necessary or appropriate in order to implement or
30 administer the plan.

31 Sec. 6. An individual described in section 1(a) of this chapter
32 who is not otherwise excluded from membership in the plan
33 becomes a member of the plan on the later of:

34 (1) the date the individual begins the individual's employment
35 in a covered position with an employer that participates in the
36 plan; or

37 (2) the date the individual's position with the employer that
38 participates in the plan becomes covered by the plan, as
39 specified in the resolution adopted by the employer under
40 IC 5-10.4-9.

41 Sec. 7. (a) The plan consists of the following:

42 (1) Each member's contributions to the plan under section 9



of this chapter.

(2) Contributions made by an employer to the plan on behalf of each member under section 10 of this chapter.

(3) Rollovers to the plan by a member under section 15 of this chapter.

(4) All earnings on investments or deposits of the plan.

(5) All contributions or payments to the plan made in the manner provided by the general assembly.

(b) The plan shall establish an account for each member. A member's account consists of two (2) subaccounts credited individually as follows:

(1) The member contribution subaccount consists of:

(A) the member's contributions to the plan under section 9 of this chapter; and

(B) the net earnings on the contributions described in clause (A) as determined under section 8 of this chapter.

(2) The employer contribution subaccount consists of:

(A) the employer's contributions made on behalf of the member to the plan under section 10 of this chapter; and

(B) the earnings on the contributions described in clause (A) as determined under section 8 of this chapter.

The board may combine the two (2) subaccounts established under this subsection into a single account, if the board determines that a single account is administratively appropriate and permissible under applicable law.

(c) If a member makes rollover contributions under section 15 of this chapter, the plan shall establish a rollover account as a separate subaccount within the member's account.

Sec. 8. (a) Subject to the board obtaining the approval of the Internal Revenue Service as described in section 4(b) of this chapter, the board shall establish the alternative investment programs (as described by IC 5-10.2-2-3 and IC 5-10.2-2-4) within the annuity savings account as the initial alternative investment programs for the plan, except that the board shall maintain at least one (1) alternative investment program that is a stable value fund. If the board considers it necessary or appropriate, the board may establish different or additional alternative investment programs for the plan. However, the guaranteed program (as defined in IC 5-10.2-2-3) shall not be offered as an investment option under the plan.

(b) The requirements and rules that apply to the alternative investment programs within the annuity savings account are the



1 initial requirements and rules that apply to the alternative
2 investment programs within the plan, including the following:

3 (1) The board's investment guidelines and limits for the
4 alternative investment programs.

5 (2) A member's selection of and changes to the member's
6 investment options.

7 (3) The valuation of a member's account.

8 (4) The allocation and payment of administrative expenses for
9 the alternative investment programs.

10 (c) If the board considers it necessary or appropriate, the board
11 may establish different or additional requirements and rules that
12 apply to the alternative investment programs within the plan.

13 (d) The board shall determine the appropriate administrative
14 fees to be charged to the member accounts.

15 Sec. 9. (a) Each member's contribution to the plan is equal to
16 three percent (3%) of the member's compensation. The state shall
17 pay the member's contribution on behalf of each member of the
18 plan each year.

19 (b) To the extent permitted by the Internal Revenue Code and
20 applicable regulations, a member of the plan may make
21 contributions to the plan in addition to the contribution required
22 under subsection (a). IC 5-10.2-3-2(c) and IC 5-10.2-3-2(d) govern
23 additional contributions made under this subsection.

24 (c) Member contributions must be credited to the member's
25 account as specified in IC 5-10.2-3.

26 (d) Although designated as employee contributions, the
27 contributions made under subsection (a) are picked up and paid by
28 an employer instead of the contributions being paid by the
29 employee in accordance with Section 414(h)(2) of the Internal
30 Revenue Code. A member may not receive any amounts paid by
31 the state under this section directly instead of having the amounts
32 paid to the plan.

33 Sec. 10. (a) An employer shall make employer contributions to
34 the plan based on the amount determined under this section.

35 (b) The employer's contribution amount for the plan for any
36 period equals the sum of:

37 (1) the sum of the amounts determined under subsection (c)
38 for members of the plan that were employed during the
39 period by the employer; and

40 (2) the employer's share for the period of the amount
41 necessary to amortize the unfunded accrued liability of the
42 fund as determined under IC 5-10.2-2-11(a)(3) and



(c) For each member of the plan, the amount to be credited to the member's account from the employer's contribution determined under subsection (b) is the lesser of:

(A) the sum of the amounts contributed by the member under section 9(a) and 9(b) of this chapter; multiplied by (B) two (2); or

(d) Any amount not credited to the member's account shall be applied to the unfunded accrued liability of the fund as determined under IC 5-10.2-2-11(a)(3) and IC 5-10.2-2-11(a)(4).

Sec. 11. (a) Member contributions and net earnings on the member contributions in the member contribution subaccount belong to the member at all times and do not belong to the state.

Years of participation in the plan	Vested percentage of employer contributions and earnings
1	20%
2	40%
3	60%
4	80%
5	100%

(c) The amount that a member may withdraw from the member's account is limited to the vested portion of the account.

(e) If a member separates from service with an employer before the member is fully vested in the employer contribution subaccount, the amount in the employer contribution subaccount that is not vested is forfeited as of the date the member separates from service.

determined under IC 5-10.2-2-11(a)(3) and IC 5-10.2-2-11(a)(4).

(g) A member may not earn creditable service (as defined in IC 5-10.2-3-1(a)) under the plan.

Sec. 12. (a) Subject to the provisions of the Internal Revenue Code applicable to qualified plan distributions, a member who:

(1) terminates service in a covered position; and

(2) does not perform any service in a position covered by the fund for at least thirty (30) days after the date on which the member terminates service;

is entitled to withdraw amounts in the member's account to the extent the member is vested in the account. A member must make a required withdrawal from the member's account not later than the required beginning date under the Internal Revenue Code.

(b) The member may elect to have withdrawals paid as:

(1) a lump sum;

(2) a direct rollover to another eligible retirement plan; or

(3) if the member has attained normal retirement age, a monthly annuity in accordance with the rules of the board.

(c) The board may establish a minimum account balance or a minimum monthly payment amount in order for a member to select the monthly annuity option. The board shall establish the forms of annuity by rule, in consultation with the board's actuary. The board shall give members information about these forms of payment and any information required by federal law to accompany such distributions.

(d) Unless otherwise required by federal or state law, the requirements and rules that apply to the distribution of the annuity savings account apply to distributions from a member's account.

Sec. 13. (a) If a member dies:

(1) while in service in a position covered by the plan but not in the line of duty; or

(2) after terminating service in a position covered by the plan but before withdrawing the member's account;

to the extent that the member is vested, the member's account shall be paid to the beneficiary or beneficiaries designated by the member on a form prescribed by the board. The amount paid shall be valued as provided in IC 5-10.2-2-3 and IC 5-10.2-2-4. The board shall invest the total amount in the member's account in the stable value fund not later than thirty (30) days after receiving notification of a member's death.

(b) If there is no properly designated beneficiary, or if no beneficiary survives the member, the member's account shall be



1 paid to:

- 2 (1) the surviving spouse of the member;
 3 (2) if there is not a surviving spouse, the surviving dependent
 4 or dependents of the member in equal shares; or
 5 (3) if there is not a surviving spouse or dependent, the
 6 member's estate.

7 (c) The beneficiary or beneficiaries designated under subsection
 8 (a) or a survivor determined under subsection (b) may elect to have
 9 the member's account paid as:

- 10 (1) a lump sum;
 11 (2) a direct rollover to another eligible retirement plan; or
 12 (3) a monthly annuity in accordance with rules of the board.

13 A monthly annuity is an option only on or after the beneficiary or
 14 survivor becomes sixty-two (62) years of age. The board shall
 15 establish the forms of annuity by rule, in consultation with the
 16 board's actuary. Further, the board may establish a minimum
 17 account balance or a minimum monthly payment amount that is
 18 required in order for a beneficiary or survivor to select the
 19 monthly annuity option.

20 (d) If a member dies in the line of duty while in service in a
 21 covered position, the designated beneficiary or beneficiaries or the
 22 surviving spouse or dependents, as applicable, are entitled to
 23 payment of the member's account as provided in this section. In
 24 addition, if the member was not fully vested in the employer
 25 contribution subaccount, the account is considered to be fully
 26 vested for purposes of withdrawal under this section.

27 Sec. 14. (a) All assets in the plan are exempt from levy, sale,
 28 garnishment, attachment, or other legal process.

29 (b) A member, beneficiary, or survivor may not assign any
 30 payment under this chapter except for the following:

- 31 (1) Premiums on a life, hospitalization, surgical, or medical
 32 group insurance plan maintained in part by a state agency.
 33 (2) Dues to an association that proves to the board's
 34 satisfaction that the association has as members at least
 35 twenty percent (20%) of the retired members in the plan.

36 Sec. 15. (a) To the extent permitted by the Internal Revenue
 37 Code and the applicable regulations and guidance, the plan may
 38 accept, on behalf of any member who is employed in a covered
 39 position, a rollover distribution from any of the following:

- 40 (1) A qualified plan described in Section 401(a) or Section
 41 403(a) of the Internal Revenue Code.
 42 (2) An annuity contract or account described in Section 403(b)



of the Internal Revenue Code.

(3) An eligible plan maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under Section 457(b) of the Internal Revenue Code.

(4) An individual retirement account or annuity described in Section 408(a) or 408(b) of the Internal Revenue Code.

(b) Any amounts rolled over under subsection (a) must be accounted for in a rollover account that is separate from the member's account in the plan. The member shall be fully vested in the member's rollover account.

(c) A member may direct the investment of the member's rollover account into any alternative investment option that the board may make available to the member's rollover account under section 8 of this chapter.

(d) A member may withdraw the member's rollover account from the plan in a lump sum or direct a rollover to an eligible retirement plan at any time. Upon attainment of normal retirement age, in addition to these payment options, the member may withdraw the member's rollover account as a monthly annuity as established by the board in accordance with the annuity options that are available for the member's account in the plan. A member must make a required withdrawal from the member's account in the plan not later than the required beginning date under the Internal Revenue Code.

Sec. 16. (a) If a member becomes disabled while in a covered position, subject to any federal law limitations concerning qualified plan distributions and the member furnishing proof of the member's qualification for Social Security disability benefits to the board, to the extent that the member is vested, the member may make a withdrawal from the member's account.

(b) The member may elect to have the withdrawal paid as:

- (1) a lump sum;
- (2) a direct rollover to another eligible retirement plan; or
- (3) a monthly annuity in accordance with the rules of the board.

(c) The board may establish a minimum account balance or a minimum monthly payment amount in order for a member to select the monthly annuity option.

Sec. 17. If a member of the plan separates from employment with the member's employer and later returns to employment in a position covered by the plan:



- (1) the individual resumes membership in the plan; and
- (2) the member is entitled to receive credit for the member's years of participation in the plan before the member's separation. However, any amounts forfeited by the member under section 11(e) of this chapter may not be restored to the member's account.

SECTION 25. IC 5-10.4-9 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]:

Chapter 9. Participation by School Corporations in the Defined Contribution Plan

Sec. 1. The following definitions apply throughout this chapter:

- (1) "Account" has the meaning set forth in IC 5-10.4-8-2.
- (2) "Eligible employee" is an individual that would qualify for membership in the fund under IC 5-10.4-4 if the individual were not employed in a position covered by a resolution adopted under this chapter.
- (3) "Member" has the meaning set forth in IC 5-10.4-8-2.
- (4) "Plan" has the meaning set forth in IC 5-10.4-8-2.

Sec. 2. (a) If:

- (1) the governing body of a school corporation adopts a resolution specifying a definable classification of eligible employees who will become members of the plan; and
 - (2) the resolution is filed with and approved by the board;
- the school corporation may become a participant in the plan.

(b) The effective date of participation is the earlier of January 1 or July 1 after the date of approval.

Sec. 3. The governing body may request a preliminary survey, at its expense as determined by the board, to determine the estimated cost of participation. The board and its actuary shall give an estimate of the costs, the benefits, and other appropriate information.

Sec. 4. After a school corporation becomes a participant, its governing body may make appropriations, make payments, and do all things required by IC 5-10.4-8.

Sec. 5. The board shall maintain separate accounts for each contribution rate group. Credits and charges to these accounts shall be made as prescribed in IC 5-10.4-8.

Sec. 6. A school corporation shall make the appropriations and payments required under this article and IC 5-10.2 from its general fund.

Sec. 7. (a) If a school corporation fails to make payments



1 required by this chapter, the amount payable may be:

- 2 (1) withheld by the auditor of state from money payable to the
3 school corporation and transferred to the plan; or
4 (2) recovered in a suit in the circuit or superior court of the
5 county in which the school corporation is located. The suit
6 must be an action by the state on the relation of the board,
7 prosecuted by the attorney general.

8 (b) If:

- 9 (1) service credit is verified for a member who has filed an
10 application for retirement benefits; and
11 (2) the member's employer at the time the service credit was
12 earned has not made contributions for or on behalf of the
13 member for the service credit;

14 liability for the unfunded service credit shall be charged against
15 the employer's account and collected by the fund as provided in
16 subsection (a). Processing of a member's application for retirement
17 benefits may not be delayed by an employer's failure to make
18 contributions for the service credit earned by the member while
19 the member was employed by the employer.

20 Sec. 8. (a) As used in this section, "withdrawing school
21 corporation" means a school corporation that takes an action
22 described in subsection (b).

23 (b) Subject to the provisions of this section, a school corporation
24 may do the following:

- 25 (1) Stop its participation in the plan and withdraw all of the
26 school corporation's employees from participation in the plan.
27 (2) Withdraw a departmental, an occupational, or other
28 definable classification of employees from participation in the
29 plan.
30 (3) Stop the school corporation's participation in the plan by:
31 (A) selling all the school corporation's assets; or
32 (B) ceasing to exist as a school corporation.

33 (c) The withdrawal of a school corporation's participation in the
34 plan is effective on a termination date established by the board.
35 The termination date may not occur before all the following have
36 occurred:

- 37 (1) The withdrawing school corporation has provided written
38 notice of the following to the board:
39 (A) The withdrawing school corporation's intent to cease
40 participation.
41 (B) The names of the withdrawing school corporation's
42 current employees and former employees as of the date on



which the notice is provided.

(2) The expiration of:

(A) a ninety (90) day period following the filing of the notice with the board, for a withdrawing school corporation that sells all of the withdrawing school corporation's assets or that ceases to exist as a school corporation; or

(B) a two (2) year period following the filing of the notice with the board, for all other withdrawing school corporations.

(d) A member who is an employee of the school corporation as of the date of the notice under subsection (c) is fully vested in all amounts in the member's account.

SECTION 26. IC 10-12-3-8 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 8. (a) This section specifies the method for calculating a postretirement increase to the basic monthly pension amount (plus postretirement increases) of an eligible retired or disabled employee beneficiary of the state police pre-1987 benefit system for any year after 2014 in which a statute other than IC 10-12-5 grants such a postretirement increase.

(b) As used in this section, "grant year" means, for a specified statute that grants a postretirement increase to which this section applies, the year in which the postretirement increase granted by the statute is first payable.

(c) For a specified grant year, subject to subsection (e), the increase to the basic monthly pension amount (plus postretirement increases) payable after June 30 of the grant year to an employee beneficiary of the state police pre-1987 benefit system who retired or was disabled before July 2 of the year immediately preceding the grant year, and who had at least twenty (20) years of service, is equal to five-tenths percent (0.5%) of the total of:

(1) the employee beneficiary's monthly pension amount, as calculated under section 7 of this chapter; and

(2) any supplemental benefit amount that the employee beneficiary receives under IC 10-12-5.

(d) The increases specified in this section:

(1) must be based on the date of the employee beneficiary's latest retirement or disability;

(2) do not apply to the benefits payable in a lump sum; and

(3) are in addition to any other increase provided by law, subject to subsection (c).



(e) For a specified grant year, if a supplemental benefit under IC 10-12-5 is payable based on an increase in the sixth year trooper salary in the grant year, an employee beneficiary shall receive the greater of:

(1) the increase in the supplemental benefit to which the employee beneficiary would be entitled without regard to this section as a result of an increase in the sixth year trooper salary in the grant year; or

(2) the increase calculated in accordance with this section.

SECTION 27. IC 10-12-3-9 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9. (a) In 2015, an employee beneficiary of the state police pre-1987 benefit system who meets the criteria specified in section 8 of this chapter is entitled to an increase of the basic monthly pension amount (plus postretirement increases) payable to the employee beneficiary in accordance with section 8 of this chapter.

(b) In 2016, an employee beneficiary of the state police pre-1987 benefit system who meets the criteria specified in section 8 of this chapter is entitled to an increase of the basic monthly pension amount (plus postretirement increases) payable to the employee beneficiary in accordance with section 8 of this chapter.

(c) The trustee may not use contributions from the department to pay the increases required under subsections (a) and (b) unless, and only to the extent that, the amounts necessary to pay the increases required under subsections (a) and (b) exceed the amounts appropriated in the state budget for the biennium beginning July 1, 2015, for the purposes described in subsections (a) and (b).

SECTION 28. IC 10-12-4-11 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 11. (a) This section specifies the method for calculating a postretirement increase to the basic monthly pension amount (plus postretirement increases) of an eligible retired or disabled employee beneficiary of the state police 1987 benefit system for any year after 2014 in which a statute grants such a postretirement increase.

(b) As used in this section, "grant year" means, for a specified statute that grants a postretirement increase to which this section applies, the year in which the postretirement increase granted by the statute is first payable.

(c) For a specified grant year, a postretirement increase to the



1 basic monthly pension amount (plus postretirement increases)
 2 payable after June 30 of the grant year to an employee beneficiary
 3 of the state police 1987 benefit system who retired or was disabled
 4 after June 30, 1987, and before July 2 of the year immediately
 5 preceding the grant year is equal to three hundred seventy-five
 6 thousandths percent (0.375%) of the maximum basic monthly
 7 pension amount payable to a retired state police employee in the
 8 grade of a trooper who has completed twenty-five (25) years of
 9 service as of July 1 of the grant year as calculated under section 7
 10 of this chapter.

11 (d) The increases specified in this section:

12 (1) must be based on the date of the employee beneficiary's
 13 latest retirement or disability;

14 (2) do not apply to the benefits payable in a lump sum; and

15 (3) are in addition to any other increase provided by law.

16 SECTION 29. IC 10-12-4-12 IS ADDED TO THE INDIANA
 17 CODE AS A NEW SECTION TO READ AS FOLLOWS
 18 [EFFECTIVE UPON PASSAGE]: Sec. 12. (a) In 2015, an employee
 19 beneficiary of the state police 1987 benefit system who meets the
 20 criteria specified in section 11 of this chapter is entitled to an
 21 increase of the basic monthly pension amount (plus postretirement
 22 increases) payable to the employee beneficiary in accordance with
 23 section 11 of this chapter.

24 (b) In 2016, an employee beneficiary of the state police 1987
 25 benefit system who meets the criteria specified in section 11 of this
 26 chapter is entitled to an increase of the basic monthly pension
 27 amount (plus postretirement increases) payable to the employee
 28 beneficiary in accordance with section 11 of this chapter.

29 (c) The trustee may not use contributions from the department
 30 to pay the increases required under subsections (a) and (b) unless,
 31 and only to the extent that, the amounts necessary to pay the
 32 increases required under subsections (a) and (b) exceed the
 33 amounts appropriated in the state budget for the biennium
 34 beginning July 1, 2015, for the purposes described in subsections
 35 (a) and (b).

36 SECTION 30. IC 10-12-5-3, AS AMENDED BY P.L.5-2008,
 37 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 38 UPON PASSAGE]: Sec. 3. (a) The pension advisory board that
 39 administers the pension under IC 10-12-3 shall direct and supervise the
 40 supplemental benefits provided in this chapter.

41 (b) The pension advisory board shall:

42 (1) annually provide a schedule showing the number of retirees



1 receiving pension benefits under IC 10-12-3; and
 2 (2) meet at least one (1) time each year to add to the regular
 3 pension benefit or annuity and any previously granted
 4 supplemental benefit the amount described in subsection (c) or
 5 (d).

6 (c) This subsection applies only to a retiree who is eligible for the
 7 first time under section 2 of this chapter to receive a supplemental
 8 benefit. The supplemental benefit referred to in subsection (b)(2) for
 9 a retiree in the first year the retiree is eligible for a supplemental
 10 benefit is the sum of:

11 (1) the difference between:

12 (A) the retiree's pension benefit; and

13 (B) the pension benefit:

14 (i) received by an employee retiring in that year from the
 15 department with twenty (20) years of active service; and

16 (ii) computed on the day the pension advisory board meets
 17 as required under subsection (b)(2); plus

18 (2) any amount computed under subsection (d) after the date the
 19 retiree reaches fifty-five (55) years of age.

20 (d) This subsection applies to a retiree who is eligible under section
 21 2 of this chapter to receive a supplemental benefit, but whose
 22 supplemental benefit is not computed under subsection (c). The
 23 supplemental benefit referred to in subsection (b)(2) is equal to fifty
 24 percent (50%) of the difference between:

25 (1) the pension benefits to be received by an employee retiring
 26 from the department with twenty (20) years of active service the
 27 day after a change in the monthly wage received by a police
 28 employee in the grade of trooper at the beginning of the trooper's
 29 sixth year of service; and

30 (2) the pension benefit received by an employee retiring from the
 31 department with twenty (20) years of active service the day before
 32 a change in the monthly wage received by a police employee in
 33 the grade of trooper at the beginning of the trooper's sixth year of
 34 service.

35 **(e) For any year after 2014, if a supplemental benefit is paid**
 36 **under this section based on an increase during the year of the**
 37 **monthly wage of a police employee in the grade of trooper at the**
 38 **beginning of the trooper's sixth year of service, an employee**
 39 **beneficiary shall receive the greater of:**

40 **(1) the increase in the supplemental benefit to which the**
 41 **employee beneficiary would be entitled under this section as**
 42 **a result of an increase in the monthly wage of a police**



1 employee in the grade of trooper at the beginning of the
 2 trooper's sixth year of service; or
 3 (2) the increase payable under another statute and calculated
 4 in accordance with IC 10-12-3-8.
 5 SECTION 31. An emergency is declared for this act.



COMMITTEE REPORT

Mr. Speaker: Your Committee on Employment, Labor and Pensions, to which was referred House Bill 1481, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, delete lines 1 through 15.

Page 6, line 36, delete "before January 1, 2016,".

Page 7, line 26, after "subdivision" insert **"that participates in the fund under IC 5-10.3-6"**.

Page 7, line 27, delete "specifying by departmental," and insert **"that permits an individual who begins employment with the political subdivision and would otherwise be eligible for membership in the fund to elect to become a member of the plan; and"**.

Page 7, delete lines 28 through 29.

Page 7, delete lines 33 through 41.

Page 7, line 42, delete "(c)" and insert **"(b)"**.

Page 11, line 5, delete "and before January".

Page 11, line 6, delete "1, 2016,".

Page 15, line 5, delete "and before the".

Page 15, line 6, delete "transition date,".

Page 15, delete lines 14 through 19.

Page 15, line 20, delete "(3)" and insert **"(2)"**.

Page 15, line 20, after "who" insert ":

(A) on or after the date the individual begins employment with".

Page 15, line 20, delete "is employed by".

Page 15, line 23, after "IC 5-10.3-7" delete "." and insert **"; and**

(B) makes the election described in section 20.5 of this chapter to become a member of the plan."

Page 16, line 4, after "who" insert ",".

Page 16, line 4, reset in roman "before the effective date of the plan,".

Page 16, line 6, after "plan" insert ":".

Page 16, delete line 7.

Page 16, line 27, reset in roman "has elected".

Page 16, line 28, reset in roman "to participate in the plan."

Page 16, line 28, delete "is not otherwise excluded from".

Page 16, delete lines 29 through 33.

Page 16, line 40, delete "and before the transition date,".

Page 17, line 12, delete "or 1(a)(3)".



Page 17, delete lines 14 through 16.
 Page 17, line 17, delete "(c)" and insert "(b)".
 Page 17, line 17, delete "1(a)(3)" and insert "**1(a)(2)**".
 Page 17, line 18, delete "becomes" and insert "**may elect to become**".
 Page 17, line 18, delete "the later of:".
 Page 17, line 19, delete "(1)".
 Page 17, run in lines 18 through 19.
 Page 17, line 21, after "plan" delete "; or" and insert ".".
 Page 17, delete lines 22 through 25.
 Page 17, between lines 25 and 26, begin a new paragraph and insert:
"(c) An election under this section:
 (1) must be made in writing;
 (2) must be filed with the board, on a form prescribed by the board; and
 (3) is irrevocable.
(d) An individual who does not elect to become a member of the plan becomes a member (as defined in IC 5-10.3-1-5) of the fund."
 Page 18, line 6, delete "(a) This section applies to employer".
 Page 18, delete lines 7 through 8.
 Page 18, line 9, reset in roman "(a)".
 Page 18, line 9, delete "(b)".
 Page 18, line 11, reset in roman "(b)".
 Page 18, line 11, delete "(c)".
 Page 18, line 19, reset in roman "(c)".
 Page 18, line 19, delete "(d)".
 Page 18, line 22, reset in roman "(d)".
 Page 18, line 22, delete "(e)".
 Page 18, delete lines 25 through 42.
 Page 19, delete lines 1 through 12.
 Page 20, line 13, reset in roman "(b) An individual who elected under section 20".
 Page 20, line 13, after "20" insert "**or 20.5**".
 Page 20, line 13, reset in roman "of this chapter to".
 Page 20, reset in roman lines 14 through 15.
 Page 20, line 16, reset in roman "(c)".
 Page 20, line 16, delete "(b)".
 Page 20, line 16, delete ", before the transition date,".
 Page 20, line 18, reset in roman "(d) An individual who returns to".
 Page 20, line 18, reset in roman "employment".
 Page 20, line 18, after "employment" insert "**in a position covered by the plan**".



Page 20, line 18, reset in roman "having had an".

Page 20, line 19, reset in roman "opportunity to make an election under section 20".

Page 20, line 19, after "20" insert "**or 20.5**".

Page 20, line 19, reset in roman "of this chapter during".

Page 20, line 20, reset in roman "an earlier period of".

Page 20, line 20, reset in roman "employment is not entitled to a second".

Page 20, line 21, reset in roman "opportunity to make an election under section 20".

Page 20, line 21, after "20" insert "**or 20.5**".

Page 20, line 21, reset in roman "of this chapter.".

Page 20, between lines 21 and 22, begin a new paragraph and insert:
 "SECTION 25. IC 5-10.4-4-1, AS AMENDED BY P.L.119-2012,
 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 JULY 1, 2015]: Sec. 1. (a) The members of the fund include:

- (1) legally qualified and regularly employed teachers in the public schools;
- (2) persons employed by a governing body, who were qualified before their election or appointment;
- (3) legally qualified and regularly employed teachers at Ball State University, Indiana State University, University of Southern Indiana, and Vincennes University;
- (4) legally qualified and regularly employed teachers in a state educational institution whose teachers devote their entire time to teaching;
- (5) legally qualified and regularly employed teachers in state benevolent, charitable, or correctional institutions;
- (6) legally qualified and regularly employed teachers in an experimental school in a state university who teach elementary or high school students;
- (7) as determined by the board, certain instructors serving in a state educational institution extension division not covered by a state retirement law;
- (8) employees and officers of the department of education and of the fund who were qualified before their election or appointment;
- (9) a person who:
 - (A) is employed as a nurse appointed under IC 20-34-3-6 by a school corporation located in a city having a population of more than eighty thousand (80,000) but less than eighty thousand four hundred (80,400); and
 - (B) participated in the fund before December 31, 1991, in the



position described in clause (A); and

(10) persons who are employed by the fund.

(b) Teachers in any state institution who accept the benefits of a state supported retirement benefit system comparable to the fund's benefits may not come under the fund unless permitted by law or the rules of the board.

(c) The members of the fund do not include substitute teachers who have not obtained an associate degree or a baccalaureate degree.

(d) The members of the fund do not include individuals who participate in the teachers' defined contribution plan under IC 5-10.4-8.

SECTION 26. IC 5-10.4-8 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]:

Chapter 8. Teachers' Defined Contribution Plan

Sec. 1. (a) Except as provided in subsection (b), this chapter applies to an individual who, on or after the effective date of the plan:

(1) is employed in a covered position by a school corporation that participates in the plan; and

(2) would otherwise qualify for membership in the fund under IC 5-10.4-4.

(b) This chapter does not apply to an individual who, before the effective date of the plan, is or was a member (as defined in IC 5-10.4-1-9) of the fund.

Sec. 2. The following definitions apply throughout this chapter:

(1) "Account" means the plan account established for a member under section 7(b) of this chapter.

(2) "Annuity savings account" means the annuity savings account of the 1996 account maintained under IC 5-10.2-2-2(c)(1) and IC 5-10.2-2-2(b)(2).

(3) "Compensation" has the meaning set forth in IC 5-10.2-3-2(a).

(4) "Dies in the line of duty" has the meaning set forth in IC 5-10-11-2.

(5) "Effective date" means the first day of the month that is six (6) months after the month in which the Internal Revenue Service issues an approval of the plan.

(6) "Employer" means a school corporation.

(7) "Employer contribution subaccount" means the subaccount in a member's plan account established under section 7(b)(2) of this chapter.



(8) "Internal Revenue Code" has the meaning set forth in IC 5-10.2-1-3.5.

(9) "Member" means an individual described in section 1(a) of this chapter who is not otherwise excluded from membership in the plan.

(10) "Member contribution subaccount" means the subaccount in a member's plan account established under section 7(b)(1) of this chapter.

(11) "Normal retirement age" for a member means the member is at least sixty-two (62) years of age with at least five (5) years of participation in the plan.

(12) "Plan" refers to the teachers' defined contribution plan established by section 4 of this chapter.

(13) "Years of participation" means all periods of participation in the plan in a covered position, plus any additional service for which this chapter provides years of participation credit.

Sec. 3. Except as otherwise provided in this chapter or by federal law, and subject to the board obtaining the approval of the Internal Revenue Service as described in section 4(b) of this chapter, the provisions of IC 5-10.4 that apply to the annuity savings account apply to an account established under this chapter.

Sec. 4. (a) The teachers' defined contribution plan is established for the purpose of providing amounts funded by an employer and a member for the use of the member or the member's beneficiaries or survivors after the member's retirement.

(b) The board shall adopt provisions to implement the plan established under subsection (a) as follows:

(1) The board shall initially offer the plan using the annuity savings account, subject to obtaining the approval of the Internal Revenue Service in a manner satisfactory to the board to preserve the qualified status of the plan and the fund. The plan as provided under this subdivision is a component within the fund.

(2) If the approval of the Internal Revenue Service to offer the plan using the annuity savings account cannot be obtained in a manner satisfactory to the board, the board shall offer the plan as a separate fund under Section 401(a) or another applicable section of the Internal Revenue Code.

(c) The board shall administer the plan.

(d) The board may adopt a plan document that it considers appropriate or necessary to administer the plan.



Sec. 5. The board may request from the Internal Revenue Service any rulings or determination letters that the board considers necessary or appropriate in order to implement or administer the plan.

Sec. 6. An individual described in section 1(a) of this chapter who is not otherwise excluded from membership in the plan becomes a member of the plan on the later of:

- (1) the date the individual begins the individual's employment in a covered position with an employer that participates in the plan; or
- (2) the date the individual's position with the employer that participates in the plan becomes covered by the plan, as specified in the resolution adopted by the employer under IC 5-10.4-9.

Sec. 7. (a) The plan consists of the following:

- (1) Each member's contributions to the plan under section 9 of this chapter.
- (2) Contributions made by an employer to the plan on behalf of each member under section 10 of this chapter.
- (3) Rollovers to the plan by a member under section 15 of this chapter.
- (4) All earnings on investments or deposits of the plan.
- (5) All contributions or payments to the plan made in the manner provided by the general assembly.

(b) The plan shall establish an account for each member. A member's account consists of two (2) subaccounts credited individually as follows:

- (1) The member contribution subaccount consists of:
 - (A) the member's contributions to the plan under section 9 of this chapter; and
 - (B) the net earnings on the contributions described in clause (A) as determined under section 8 of this chapter.
- (2) The employer contribution subaccount consists of:
 - (A) the employer's contributions made on behalf of the member to the plan under section 10 of this chapter; and
 - (B) the earnings on the contributions described in clause (A) as determined under section 8 of this chapter.

The board may combine the two (2) subaccounts established under this subsection into a single account, if the board determines that a single account is administratively appropriate and permissible under applicable law.

(c) If a member makes rollover contributions under section 15



of this chapter, the plan shall establish a rollover account as a separate subaccount within the member's account.

Sec. 8. (a) Subject to the board obtaining the approval of the Internal Revenue Service as described in section 4(b) of this chapter, the board shall establish the alternative investment programs (as described by IC 5-10.2-2-3 and IC 5-10.2-2-4) within the annuity savings account as the initial alternative investment programs for the plan, except that the board shall maintain at least one (1) alternative investment program that is a stable value fund. If the board considers it necessary or appropriate, the board may establish different or additional alternative investment programs for the plan. However, the guaranteed program (as defined in IC 5-10.2-2-3) shall not be offered as an investment option under the plan.

(b) The requirements and rules that apply to the alternative investment programs within the annuity savings account are the initial requirements and rules that apply to the alternative investment programs within the plan, including the following:

- (1)** The board's investment guidelines and limits for the alternative investment programs.
- (2)** A member's selection of and changes to the member's investment options.
- (3)** The valuation of a member's account.
- (4)** The allocation and payment of administrative expenses for the alternative investment programs.

(c) If the board considers it necessary or appropriate, the board may establish different or additional requirements and rules that apply to the alternative investment programs within the plan.

(d) The board shall determine the appropriate administrative fees to be charged to the member accounts.

Sec. 9. (a) Each member's contribution to the plan is equal to three percent (3%) of the member's compensation. The state shall pay the member's contribution on behalf of each member of the plan each year.

(b) To the extent permitted by the Internal Revenue Code and applicable regulations, a member of the plan may make contributions to the plan in addition to the contribution required under subsection (a). IC 5-10.2-3-2(c) and IC 5-10.2-3-2(d) govern additional contributions made under this subsection.

(c) Member contributions must be credited to the member's account as specified in IC 5-10.2-3.

(d) Although designated as employee contributions, the



contributions made under subsection (a) are picked up and paid by an employer instead of the contributions being paid by the employee in accordance with Section 414(h)(2) of the Internal Revenue Code. A member may not receive any amounts paid by the state under this section directly instead of having the amounts paid to the plan.

Sec. 10. (a) An employer shall make employer contributions to the plan based on the amount determined under this section.

(b) The employer's contribution amount for the plan for any period equals the sum of:

- (1)** the sum of the amounts determined under subsection (c) for members of the plan that were employed during the period by the employer; and
- (2)** the employer's share for the period of the amount necessary to amortize the unfunded accrued liability of the fund as determined under IC 5-10.2-2-11(a)(3) and IC 5-10.2-2-11(a)(4).

(c) For each member of the plan, the amount to be credited to the member's account from the employer's contribution determined under subsection (b) is the lesser of:

- (1)** the product of:
 - (A)** the sum of the amounts contributed by the member under section 9(a) and 9(b) of this chapter; multiplied by
 - (B)** two (2); or
- (2)** seven and five-tenths percent (7.5%) of the member's compensation.

(d) Any amount not credited to the member's account shall be applied to the unfunded accrued liability of the fund as determined under IC 5-10.2-2-11(a)(3) and IC 5-10.2-2-11(a)(4).

(e) An employer shall submit the employer contributions determined under this section as provided in IC 5-10.2-2-12.5.

Sec. 11. (a) Member contributions and net earnings on the member contributions in the member contribution subaccount belong to the member at all times and do not belong to the state.

(b) A member is vested in the employer contribution subaccount in accordance with the following schedule:

Years of participation in the plan	Vested percentage of employer contributions and earnings
1	20%
2	40%
3	60%



4	80%
5	100%

For purposes of vesting in the employer contribution subaccount, only a member's full years of participation in the plan may be counted.

(c) The amount that a member may withdraw from the member's account is limited to the vested portion of the account.

(d) A member who attains normal retirement age is fully vested in all amounts in the member's account.

(e) If a member separates from service with an employer before the member is fully vested in the employer contribution subaccount, the amount in the employer contribution subaccount that is not vested is forfeited as of the date the member separates from service.

(f) Amounts forfeited under subsection (e) must be used to reduce the employer's unfunded accrued liability of the fund as determined under IC 5-10.2-2-11(a)(3) and IC 5-10.2-2-11(a)(4).

(g) A member may not earn creditable service (as defined in IC 5-10.2-3-1(a)) under the plan.

Sec. 12. (a) Subject to the provisions of the Internal Revenue Code applicable to qualified plan distributions, a member who:

- (1) terminates service in a covered position; and
- (2) does not perform any service in a position covered by the fund for at least thirty (30) days after the date on which the member terminates service;

is entitled to withdraw amounts in the member's account to the extent the member is vested in the account. A member must make a required withdrawal from the member's account not later than the required beginning date under the Internal Revenue Code.

(b) The member may elect to have withdrawals paid as:

- (1) a lump sum;
- (2) a direct rollover to another eligible retirement plan; or
- (3) if the member has attained normal retirement age, a monthly annuity in accordance with the rules of the board.

(c) The board may establish a minimum account balance or a minimum monthly payment amount in order for a member to select the monthly annuity option. The board shall establish the forms of annuity by rule, in consultation with the board's actuary. The board shall give members information about these forms of payment and any information required by federal law to accompany such distributions.

(d) Unless otherwise required by federal or state law, the



requirements and rules that apply to the distribution of the annuity savings account apply to distributions from a member's account.

Sec. 13. (a) If a member dies:

- (1) while in service in a position covered by the plan but not in the line of duty; or**
- (2) after terminating service in a position covered by the plan but before withdrawing the member's account;**

to the extent that the member is vested, the member's account shall be paid to the beneficiary or beneficiaries designated by the member on a form prescribed by the board. The amount paid shall be valued as provided in IC 5-10.2-2-3 and IC 5-10.2-2-4. The board shall invest the total amount in the member's account in the stable value fund not later than thirty (30) days after receiving notification of a member's death.

(b) If there is no properly designated beneficiary, or if no beneficiary survives the member, the member's account shall be paid to:

- (1) the surviving spouse of the member;**
- (2) if there is not a surviving spouse, the surviving dependent or dependents of the member in equal shares; or**
- (3) if there is not a surviving spouse or dependent, the member's estate.**

(c) The beneficiary or beneficiaries designated under subsection (a) or a survivor determined under subsection (b) may elect to have the member's account paid as:

- (1) a lump sum;**
- (2) a direct rollover to another eligible retirement plan; or**
- (3) a monthly annuity in accordance with rules of the board.**

A monthly annuity is an option only on or after the beneficiary or survivor becomes sixty-two (62) years of age. The board shall establish the forms of annuity by rule, in consultation with the board's actuary. Further, the board may establish a minimum account balance or a minimum monthly payment amount that is required in order for a beneficiary or survivor to select the monthly annuity option.

(d) If a member dies in the line of duty while in service in a covered position, the designated beneficiary or beneficiaries or the surviving spouse or dependents, as applicable, are entitled to payment of the member's account as provided in this section. In addition, if the member was not fully vested in the employer contribution subaccount, the account is considered to be fully vested for purposes of withdrawal under this section.



Sec. 14. (a) All assets in the plan are exempt from levy, sale, garnishment, attachment, or other legal process.

(b) A member, beneficiary, or survivor may not assign any payment under this chapter except for the following:

- (1) Premiums on a life, hospitalization, surgical, or medical group insurance plan maintained in part by a state agency.**
- (2) Dues to an association that proves to the board's satisfaction that the association has as members at least twenty percent (20%) of the retired members in the plan.**

Sec. 15. (a) To the extent permitted by the Internal Revenue Code and the applicable regulations and guidance, the plan may accept, on behalf of any member who is employed in a covered position, a rollover distribution from any of the following:

- (1) A qualified plan described in Section 401(a) or Section 403(a) of the Internal Revenue Code.**
- (2) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.**
- (3) An eligible plan maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under Section 457(b) of the Internal Revenue Code.**
- (4) An individual retirement account or annuity described in Section 408(a) or 408(b) of the Internal Revenue Code.**

(b) Any amounts rolled over under subsection (a) must be accounted for in a rollover account that is separate from the member's account in the plan. The member shall be fully vested in the member's rollover account.

(c) A member may direct the investment of the member's rollover account into any alternative investment option that the board may make available to the member's rollover account under section 8 of this chapter.

(d) A member may withdraw the member's rollover account from the plan in a lump sum or direct a rollover to an eligible retirement plan at any time. Upon attainment of normal retirement age, in addition to these payment options, the member may withdraw the member's rollover account as a monthly annuity as established by the board in accordance with the annuity options that are available for the member's account in the plan. A member must make a required withdrawal from the member's account in the plan not later than the required beginning date under the Internal Revenue Code.

Sec. 16. (a) If a member becomes disabled while in a covered



position, subject to any federal law limitations concerning qualified plan distributions and the member furnishing proof of the member's qualification for Social Security disability benefits to the board, to the extent that the member is vested, the member may make a withdrawal from the member's account.

(b) The member may elect to have the withdrawal paid as:

- (1) a lump sum;
- (2) a direct rollover to another eligible retirement plan; or
- (3) a monthly annuity in accordance with the rules of the board.

(c) The board may establish a minimum account balance or a minimum monthly payment amount in order for a member to select the monthly annuity option.

Sec. 17. If a member of the plan separates from employment with the member's employer and later returns to employment in a position covered by the plan:

- (1) the individual resumes membership in the plan; and
- (2) the member is entitled to receive credit for the member's years of participation in the plan before the member's separation. However, any amounts forfeited by the member under section 11(e) of this chapter may not be restored to the member's account.

SECTION 27. IC 5-10.4-9 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]:

Chapter 9. Participation by School Corporations in the Defined Contribution Plan

Sec. 1. The following definitions apply throughout this chapter:

- (1) "Account" has the meaning set forth in IC 5-10.4-8-2.
- (2) "Eligible employee" is an individual that would qualify for membership in the fund under IC 5-10.4-4 if the individual were not employed in a position covered by a resolution adopted under this chapter.
- (3) "Member" has the meaning set forth in IC 5-10.4-8-2.
- (4) "Plan" has the meaning set forth in IC 5-10.4-8-2.

Sec. 2. (a) If:

- (1) the governing body of a school corporation adopts a resolution specifying a definable classification of eligible employees who will become members of the plan; and
 - (2) the resolution is filed with and approved by the board;
- the school corporation may become a participant in the plan.

(b) The effective date of participation is the earlier of January



1 or July 1 after the date of approval.

Sec. 3. The governing body may request a preliminary survey, at its expense as determined by the board, to determine the estimated cost of participation. The board and its actuary shall give an estimate of the costs, the benefits, and other appropriate information.

Sec. 4. After a school corporation becomes a participant, its governing body may make appropriations, make payments, and do all things required by IC 5-10.4-8.

Sec. 5. The board shall maintain separate accounts for each contribution rate group. Credits and charges to these accounts shall be made as prescribed in IC 5-10.4-8.

Sec. 6. A school corporation shall make the appropriations and payments required under this article and IC 5-10.2 from its general fund.

Sec. 7. (a) If a school corporation fails to make payments required by this chapter, the amount payable may be:

- (1) withheld by the auditor of state from money payable to the school corporation and transferred to the plan; or
- (2) recovered in a suit in the circuit or superior court of the county in which the school corporation is located. The suit must be an action by the state on the relation of the board, prosecuted by the attorney general.

(b) If:

- (1) service credit is verified for a member who has filed an application for retirement benefits; and
- (2) the member's employer at the time the service credit was earned has not made contributions for or on behalf of the member for the service credit;

liability for the unfunded service credit shall be charged against the employer's account and collected by the fund as provided in subsection (a). Processing of a member's application for retirement benefits may not be delayed by an employer's failure to make contributions for the service credit earned by the member while the member was employed by the employer.

Sec. 8. (a) As used in this section, "withdrawing school corporation" means a school corporation that takes an action described in subsection (b).

(b) Subject to the provisions of this section, a school corporation may do the following:

- (1) Stop its participation in the plan and withdraw all of the school corporation's employees from participation in the plan.



(2) Withdraw a departmental, an occupational, or other definable classification of employees from participation in the plan.

(3) Stop the school corporation's participation in the plan by:

(A) selling all the school corporation's assets; or

(B) ceasing to exist as a school corporation.

(c) The withdrawal of a school corporation's participation in the plan is effective on a termination date established by the board. The termination date may not occur before all the following have occurred:

(1) The withdrawing school corporation has provided written notice of the following to the board:

(A) The withdrawing school corporation's intent to cease participation.

(B) The names of the withdrawing school corporation's current employees and former employees as of the date on which the notice is provided.

(2) The expiration of:

(A) a ninety (90) day period following the filing of the notice with the board, for a withdrawing school corporation that sells all of the withdrawing school corporation's assets or that ceases to exist as a school corporation; or

(B) a two (2) year period following the filing of the notice with the board, for all other withdrawing school corporations.

(d) A member who is an employee of the school corporation as of the date of the notice under subsection (c) is fully vested in all amounts in the member's account."

Page 24, delete lines 13 through 42.

Delete pages 25 through 29.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1481 as introduced.)

GUTWEIN

Committee Vote: yeas 6, nays 3.

